

EXHIBIT 1

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. HO-10740-A
CITIGROUP, INC.) AMENDED 04/09/10

WITNESS: Samir H. Bhatt

PAGES: 1 through 163

PLACE: Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C.

DATE: Tuesday, March 16, 2010

The above-entitled matter came on for hearing, pursuant to notice, at 10:19 a.m.

Diversified Reporting Services, Inc.

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<p style="text-align: right;">Page 30</p> <p>1 combination of higher rated securities and the asset backed 2 CDO capital structure combined with the equity tranche in 3 some form of a combination note. 4 And the CDO, that would be backed by a large 5 portion of those types of securities, things like that. 6 That's something that they were thinking about and were 7 talking to rating agencies about in terms of a hypothetical 8 CDO or CDO squared type of transaction. So we had some 9 discussions like that. 10 And as we talked about Class V Funding II, it was 11 another collateral manager approaching an underwriter about 12 approaching us and then having a meeting where they all spoke 13 together about doing -- working on a transaction that was a 14 CDO squared. 15 So a longwinded answer to your question being that 16 I don't know if there was a necessarily a set way that it 17 happened. But they're dealing with some, you know, some with 18 their various ways that I saw it happen. 19 Q So was there anything unusual about Citi 20 approaching you with the idea to do a CDO squared? 21 A To me, from what I recall, it didn't seem like it 22 was anything that was out of the ordinary course of business. 23 MR. WASHER: Can I just ask one clarifying 24 question? Mr. Bhatt, do you remember whether you approached 25 Citi about the Class V Funding III, or whether Citi</p>	<p style="text-align: right;">Page 32</p> <p>1 BY MR. FELLER: 2 Q And the Bates is Citi-14250375 and 376. E-mail 3 from Sobail Khan to Mr. Bhatt and Mr. Popp, copying Brian 4 Stoker and Shalabh Mehrish, November 1, 2006, subject, CDO 5 squared proposal portfolio. 6 And Mr. Khan writes, "Thanks for taking the time to 7 talk about the CDO squared proposal earlier today. Given the 8 refreshing experience we've had with your team in both the 9 CLO and ABS CDO space, we're very keen to broaden the 10 relationship to include this asset class. 11 "As discussed, I'm attaching herewith a list of 12 about 30 CDOs that are contemplated to be in the portfolio. 13 This is a first cut but should be enough to give both parties 14 an idea of whether or not a trade is feasible. Look forward 15 to your early turnaround. We'd like to firm things up as 16 soon as feasible." 17 Now do you recognize this e-mail? 18 A Other than seeing it when I was preparing for this 19 deposition? 20 Q Do you recognize the e-mail? Do you remember 21 receiving this e-mail? 22 A Not other than in preparing from this deposition 23 today. 24 Q Do you have any reason to think that you didn't 25 receive this e-mail?</p>
<p style="text-align: right;">Page 31</p> <p>1 approached you or others at CSAC about it? 2 THE WITNESS: That I don't remember the exact 3 details of who talked to who first or who called who first 4 or -- I remember generally having discussions, but in terms 5 of who was the first person to sort of pick up the phone 6 or -- 7 BY MR. FELLER: 8 Q All right. Well, maybe I misunderstood. So you 9 don't know who initiated the discussions about doing a CDO 10 squared in October 2006? 11 A In fact I don't know who was -- was it us talking 12 to Citigroup, them talking to us, or something like that. I 13 remember Citigroup was the -- one of the entities or an 14 entity that we had discussions with about doing the CDO 15 squared. 16 Q Okay. Just so we're clear. For the CDO that 17 became Class V III, you don't know whether CSAC initiated 18 discussions with Citi or Citi initiated discussions with 19 CSAC? 20 A No. 21 MR. FELLER: I'm going to hand you what is being 22 marked as Exhibit 387, which is a one-page e-mail with a 23 one-page attachment, although yours is two-sided. 24 (SEC Exhibit No. 387 was marked for 25 identification.)</p>	<p style="text-align: right;">Page 33</p> <p>1 A Oh, at the time you mean? 2 Q Yeah. 3 A I would -- yeah, I don't remember, but I would 4 assume that I would have seen this e-mail. 5 Q In reading this, does this refresh your 6 recollection at all about the discussions that you had early 7 on with Citigroup? 8 MR. MASELLA: Just so you know, there's a second 9 side to it. 10 MR. FELLER: That's the attachment. 11 MR. MASELLA: That's the attachment. 12 THE WITNESS: Yeah, I don't remember more than -- 13 or I don't remember really all the details behind the actual 14 discussion. 15 BY MR. FELLER: 16 Q Did your early discussions with Citigroup -- well, 17 strike that. 18 Mr. Khan writes, "As discussed I'm attaching 19 herewith a list of about 30 CDOs that are contemplated to be 20 in the portfolio." 21 When he says as discussed, do you remember what 22 discussions he's referring to? 23 A I don't recall. 24 Q Did Mr. Khan discuss with you potential portfolio 25 for a CDO squared in October 2006 or early November?</p>

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1 A I don't remember.

2 Q All right. Let me do this a different way. How
3 did you choose a portfolio for Class V III?

4 A From -- what I do remember is a part of the just
5 general discussions and thinking about a CDO squared
6 transaction and one of the discussions was around potentially
7 doing a hybrid CDO squared transaction where we would be able
8 to reference assets predominantly synthetically, some in
9 cash, but predominantly synthetically going through CDOs that
10 we already had exposure to across their different CDO
11 transactions putting together a list of assets that would be
12 ones we would be looking at depending on the level or pricing
13 that we got for those particular CDOs, and maybe looking or
14 would be willing to sell protection on or serve as assets for
15 this contemplated CDO transaction and using that as a sort of
16 a starting point in terms of a potential portfolio.

17 Q Who were you having discussions with?

18 A Again I don't recall all the specific people, but I
19 would imagine the same individuals here and potentially
20 others within my group and maybe other people at Citigroup as
21 well, but I don't recall exactly who all the specific people
22 were, or if it was confined just say to one discussion or
23 something like that.

24 BY MR. SILVERSTEIN:

25 Q When you said the same people here, are you talking

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1 the assets in that portfolio, which is largely the structured
2 finance CDO group within this leverage investments group as
3 well as the members that serve in that -- what was known as
4 the ABS investments committee which included Mr. John Popp,
5 Mr. Andrew Marshak, and Mr. Thomas Flannery in addition to
6 myself and Mr. Michael Shackelford.

7 Q How often would you speak with Mr. Khan?

8 A So Mr. Khan was our sales cover to Citigroup. He
9 would call us from time-to-time regarding transactions that
10 Citi was doing involved with. I would sometimes call him to
11 try to get market information, market color, generally what
12 their trading desk was seeing. He was someone that had
13 replaced another gentleman by the name of Saol Katfan, who
14 was our -- Saol was our sales coverage at Citigroup higher to
15 Sohail and was someone that I had dialogue with.

16 So I was hoping to keep that dialogue going with
17 the people at Citigroup because they were involved in the CDO
18 market and they were one of -- seemed like -- one of the
19 larger -- largest players in the CDO market, both structured
20 finance CDOs, CLOs as well as all the other types of CDOs.

21 You know, they don't recall the exact frequency but
22 in some instances, it could be a few times during the day.
23 Sometimes it may not have been for several days.

24 Q How frequently would you see him in person?

25 A I don't recall.

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1 about the people identified in the exhibit or --

2 A Sorry. Yes, the people identified in the exhibit.

3 Q And that would be Mr. Popp, Brian Stoker, and
4 Shalabh Mehrish?

5 A Mr. Popp, being from Credit Suisse, Mr. Stoker, Mr.
6 Shalabh Mehrish, Sohail Khan from Citigroup.

7 BY MR. FELLER:

8 Q What was your title at this point, that is, as of
9 November 1, 2006?

10 A My corporate title?

11 Q Yes.

12 A I was a director.

13 Q And within the leveraged investment group or within
14 CSAC, were you a portfolio manager or an analyst, or what was
15 your role?

16 A I was initially when I started, I was a credit
17 analyst.

18 Q But as of November 2006?

19 A As of November 2006, I was -- I was referred to
20 mainly as a lead credit analyst for the structured finance
21 group or the structured finance team within the leverage
22 investments group.

23 Q And with respect to what became Class V III, were
24 you responsible for picking assets to go into that deal?

25 A I was a member of a team that was responsible for

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1 Q Generally?

2 A If I could guess, once every few weeks.

3 Q Do you recall going to lunch with him and
4 discussing the potential for doing a CDO squared?

5 A I don't recall -- I recall going to lunch with him.
6 I don't recall if he discussed CDO squared or just in general
7 market or other things. I recall going to lunch with him on
8 a few different occasions.

9 Q What about going to Nauvoo around the end of
10 October, beginning of November 2006?

11 A Again I don't recall the specific, or any specific
12 instances. I do remember that I think almost all of, if not
13 all the times that I had lunch with him, I think it was
14 always at that place because it was close to the Citigroup
15 office.

16 Q Okay. But nothing rings a bell about discussing
17 the potential for doing a CDO squared? I'm just -- I'm
18 trying to get at how the deal came about, whether it was
19 something that CSAC's idea, whether it was something that was
20 Citi's idea and what the initial discussions were.

21 And you sort of discussed in general terms before,
22 but then when we tried to get down to something a little more
23 specific, it looked like we were struggling and I'm trying to
24 come up with a way to jog your memory about that if possible.

25 A Yeah, and, you know, as I recall having discussions

<p style="text-align: right;">Page 38</p> <p>1 in general to talk about the market and what was going on, 2 talking about other transactions that we were seeing, 3 Citigroup was seeing, general trading flows, what's going on 4 in the market, those type of discussions. I actually often 5 have those types of discussions with Sohail Khan. 6 And, you know, in terms of all the specifics as it 7 relates to the exact Class V Funding III, I -- honestly I 8 don't remember exact nitty-gritty details of how or talking 9 about those things. You know I remember general discussions 10 about the market or CDOs or what we're seeing anything 11 innovative or, you know, the trading levels or bidless media 12 that went around and what happened with them or, you know, 13 who's doing what or who's looking at what types of deals 14 potentially or just the same type of conversations that I 15 would have with any other person who worked in the -- as a 16 sales coverage that he had for our group. And I don't 17 remember anything as it pertained very specifically say to 18 Class V Funding III or -- 19 Q So in Exhibit 387, Mr. Khan wrote, "Thanks for 20 taking the time to talk about the CDO squared proposal 21 earlier today." Whose proposal was it? 22 A Again I do not recall what exactly he's referring 23 to or which document he's referring in terms of a proposal. 24 Q Did you ever put together a proposal for CDO 25 squared that you took to Citigroup?</p>	<p style="text-align: right;">Page 40</p> <p>1 A I don't recall. 2 Q You don't recall whether you told the staff that? 3 A I don't recall. 4 Q And you don't recall whether that is in fact what 5 happened? 6 A I'm sorry. I don't understand your question. 7 Q So my first question was do you recall telling the 8 staff on the phone that the genesis of Class V III was CSAC 9 being approached by Citigroup to do a CDO squared? 10 A I don't recall. 11 Q And then my second question was, was the genesis of 12 Class V III, CSAC being approached by Citigroup to do a CDO 13 squared? 14 A Well, again, we had discussions with Citigroup, As 15 to exactly who approached whom, I don't recall the exact 16 details. You know, again, I think in general I remember 17 having a lot of discussion in and around CDO squared. I 18 don't recall exactly who was the first to approach whom. 19 Q What did you do to prepare for your testimony here 20 today? 21 A I had meetings with my counsel as well as with the 22 other gentlemen in this room. 23 Q Do you mean the gentlemen from Shearman & Sterling? 24 A Yes. 25 Q Are they your counsel as well?</p>
<p style="text-align: right;">Page 39</p> <p>1 A I don't remember. 2 Q Did Mr. Popp? 3 A I don't know. 4 Q Why did Mr. Khan attach the list of CDOs on Exhibit 5 387? 6 A I don't know. 7 Q You don't know? 8 A (Shakes head.) 9 MR. FELLER: Why don't we take a short break. Go 10 off the record at 11:24. 11 (A brief recess was taken.) 12 MR. FELLER: We're back on the record at 11:35, 13 after a short break in which there was no discussion of 14 substance between the staff Mr. Bhatt or his counsel; is that 15 right? 16 MR. MASELLA: That is correct. 17 MR. FELLER: Okay. 18 BY MR. FELLER: 19 Q Mr. Bhatt, do you recall speaking with the staff on 20 a voluntary basis on the phone in late January of 2010? 21 A Yes. 22 Q And do you recall on that call -- strike that. 23 Did you on that call tell the staff that the genesis of Class 24 V III was that CSAC was approached by Citigroup to do a CDO 25 square?</p>	<p style="text-align: right;">Page 41</p> <p>1 A In the capacity of representing my time when I 2 worked at Credit Suisse. 3 Q And how long did you meet with your counsel? 4 A We had a few meetings that lasted maybe a couple of 5 hours each. 6 Q Few meetings, meaning two, three, four? 7 A I don't remember the exact number, probably three 8 or four. 9 Q And were both sets of counsel present at all of 10 those meetings? 11 A Not at all the meetings. 12 Q Some of them? 13 A I think two or three of them. 14 Q Okay. 15 BY MR. SILVERSTEIN: 16 Q Did any individuals from any firm other than Blank 17 Rome or Shearman & Sterling attend any of these meetings? 18 A At our very last meeting, there was a person who 19 worked at Credit Suisse, was a Credit Suisse internal 20 counsel, I guess, was present. 21 Q Who was that? 22 A Alan Reichenberg. 23 BY MR. FELLER: 24 Q Did you tell the staff on the phone that Citi 25 approached CSAC to do a CDO squared because there was demand</p>

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1 is doing on its side. This implies some kind of hedge." Was
2 that your edit?
3 A No, that's Todd's writing.
4 Q Okay. But the cover letter says -- the cover
5 e-mail -- says "Attached for comments from Samir and me." So
6 I'm asking was this one of your comments?
7 A I don't think so. I would doubt it. It doesn't
8 sound like something I would write.
9 Q Did you discuss this comment with Mr. Kornfeld?
10 A I don't recall.
11 Q What was Mr. Kornfeld's concern?
12 MR. MASELLA: Objection. I'm sorry. You can
13 answer.
14 THE WITNESS: I don't remember at this time what
15 his concerns were.
16 BY MR. FELLER:
17 Q At any point did you discuss with Mr. Kornfeld
18 whether Citi -- what Citi was doing on its side of the
19 transaction? And before you answer let me be clear. I don't
20 want you to go into any privileged conversations that you had
21 with Mr. Kornfeld.
22 A I don't recall.
23 Q Did you have any conversations with anyone at
24 Citigroup about this comment of Mr. Kornfeld's?
25 A I don't remember.

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1 Q Do you know if this changed in the final version of
2 the document?
3 A I don't remember.
4 Q Did Mr. Sols from Ambac ask you if Citigroup was
5 hedging anything with its -- was hedging its short interest in
6 the collateral of Class V?
7 A I don't remember.
8 Q Did any investor or potential investor in Class V
9 ask you what Citi was doing with Citi's short interest in the
10 collateral of Class V?
11 A I don't remember.
12 Q Did anyone from Citigroup at any point refer to
13 Class V as a prop deal?
14 A I don't remember.
15 Q Do you know what a prop deal is?
16 A I can venture guess, but I don't want to --
17 Q Well, was that a term that you heard in connection
18 with CDOs ever?
19 A Prop deal. Not -- I can't say I really heard that
20 term or used that term.
21 MR. FELLER: I'm going to take a short break. Go
22 off the record at 3:58.
23 (A brief recess was taken.)
24 MR. FELLER: We are back on the record at 4:12
25 after a not-at-all short break during which there was no

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1 discussion of substance between the staff and Mr. Bhatt or
2 his counsel; is that correct?
3 MR. MASELLA: Yes. And let me just note for the
4 record that we did discuss the blackout.
5 MR. FELLER: Referring of course to the lights that
6 went out in our previous testimony room. But we adjusted.
7 BY MR. FELLER:
8 Q Did you discuss with anyone whether it would be
9 important for investors to know whether Citigroup played any
10 role in the selection of assets for Class V III?
11 A And, again, I think we were involved in the
12 selection of the assets in terms of picking assets and
13 executing on the assets. So we had discussions regarding
14 that. We didn't have -- I don't recall having discussions
15 around the process of the ramp-up or things like that in the
16 same level of details that we did have ramping up.
17 Q Well, let me ask another question. You sent the
18 list of 130-plus names to Mr. Khan. Mr. Khan then forwarded
19 you from Mr. Carosielli, a list of 24 names off of that list.
20 Do you recall we looked at these in exhibits earlier?
21 A Yes.
22 Q Okay. Those 24 names, I'll represent to you that
23 all but one or two of them went into the portfolio. It may
24 have been all of them, you know, off the top of my head, but
25 it was all but one or two.

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1 Were those the names that would have been in the
2 portfolio if Mr. Carosielli hadn't sent you back saying that
3 Citigroup wanted to buy protection on those names?
4 A You know, again, I don't -- it's hard to say
5 whatever would or would not have been in the portfolio now.
6 Q Had you previously selected that subgroup to be in
7 the portfolio?
8 A I don't recall.
9 Q And was there any discussion that you were part of
10 disclosing Citigroup's role of identifying assets off a
11 larger list on which it wanted to buy protection?
12 A I don't recall.
13 Q Were you involved in the preparation of the flip
14 book for -- well, sorry -- when I say flip book, do you know
15 what I mean?
16 A I assume you refer to that exhibit that you had.
17 Q Was that a term that you used, flip book?
18 A Yes.
19 Q And that would refer to the marketing book that we
20 looked at?
21 A It could be other marketing books. I don't want to
22 say that flip book meant explicitly this marketing book. But
23 it could refer to it.
24 Q
25 BY MR. SILVERSTEIN:

<p style="text-align: right;">Page 142</p> <p>1 Q You're referring to Exhibit 393?</p> <p>2 A Yes.</p> <p>3 BY MR. FELLER:</p> <p>4 Q Were you involved in the preparation of the</p> <p>5 marketing materials for Class V III?</p> <p>6 A I don't recall. I can talk to you generally about</p> <p>7 the marketing materials in the sense that we typically</p> <p>8 provided some manager-related section so our work charts or</p> <p>9 our some of these pages that relate to verbal review, the org</p> <p>10 chart of our group, or our -- the MIG CDO assets under</p> <p>11 management, information like that or typically the -- we're</p> <p>12 asked to provide to our underwriters in putting together this</p> <p>13 kind of marketing book for this CDO or other CDOs.</p> <p>14 Typically they would ask for those types of</p> <p>15 materials from our group and we would send it to them. And,</p> <p>16 you know, everything else is things that the underwriter put</p> <p>17 together and would send us for us to review.</p> <p>18 Q At any point did you understand that Magnetar would</p> <p>19 have any involvement with Class V III?</p> <p>20 A I don't recall specifically.</p> <p>21 Q What does that mean specifically? At any point did</p> <p>22 you have any understanding of whether Magnetar would be</p> <p>23 involved with Class V III?</p> <p>24 A I heard the name. I didn't know if they were</p> <p>25 involved with Class V Funding III.</p>	<p style="text-align: right;">Page 144</p> <p>1 A Again I can't say.</p> <p>2 Q Were you involved in a deal that at some point was</p> <p>3 called Class V IV?</p> <p>4 A Yes.</p> <p>5 Q How did that deal come about?</p> <p>6 A After we had closed Class V Funding III, Citigroup</p> <p>7 and ourselves had discussions of potentially doing a similar</p> <p>8 CDO squared that would be referencing similar underlying CDO</p> <p>9 names, but referencing protected double "A" tranches and</p> <p>10 single "A" tranches and maybe CDOs.</p> <p>11 Q Whose idea was that?</p> <p>12 A I think that was a transaction that Citigroup had</p> <p>13 presented or proposed.</p> <p>14 Q And why did they want to do it?</p> <p>15 A I don't know.</p> <p>16 Q What did they say to you about why they wanted to</p> <p>17 do it?</p> <p>18 A I don't recall.</p> <p>19 BY MR. SILVERSTEIN:</p> <p>20 Q How is it that you recall that that was a</p> <p>21 transaction that Citigroup proposed?</p> <p>22 A How do I recall that they proposed it?</p> <p>23 Q Yeah. Yes.</p> <p>24 A Well, I do remember asking right after Class V</p> <p>25 Funding III.</p>
<p style="text-align: right;">Page 143</p> <p>1 Q Do you know Ralph Cioffi?</p> <p>2 A Yes.</p> <p>3 Q Who's Mr. Cioffi?</p> <p>4 A He's a managing director at Bear Stearns asset</p> <p>5 management.</p> <p>6 Q And at some point did you tell Mr. Cioffi that you</p> <p>7 thought Magnetar might be involved with Class V III?</p> <p>8 A Yes, in the sense that I mentioned to him that,</p> <p>9 yes, they may be involved.</p> <p>10 Q Okay. What changed between when I first asked you</p> <p>11 that question and now?</p> <p>12 A That when I was -- in terms of that, I assumed that</p> <p>13 the -- or I thought that the potential they may have been</p> <p>14 been looking at the deal.</p> <p>15 Q Looking at the deal for what?</p> <p>16 A As I would assume as being an investor in the</p> <p>17 equity of the deal.</p> <p>18 Q Did the fact that they -- you heard they were</p> <p>19 looking at the equity suggest to you that they might be</p> <p>20 discussing with someone -- with Citigroup?</p> <p>21 A I can't say.</p> <p>22 Q Did it suggest to you that they might be the source</p> <p>23 of the collateral, that they might be sourcing the collateral</p> <p>24 ultimately, that is, that Citi would be standing between the</p> <p>25 deal and Magnetar?</p>	<p style="text-align: right;">Page 145</p> <p>1 Q Okay. What is it that you recall that happened</p> <p>2 after Class V Funding III?</p> <p>3 A The only thing I recall is Citigroup approaching us</p> <p>4 about Class V Funding IV.</p> <p>5 Q Who from Citigroup approached you?</p> <p>6 A I don't recall who specific.</p> <p>7 Q Well, what is it being recalled that leads you to</p> <p>8 believe that Citigroup approached you for transaction that</p> <p>9 would be called Class V Funding IV?</p> <p>10 A I just remember that they were underwriter who came</p> <p>11 to us regarding with a transaction called Class V Funding IV.</p> <p>12 Q And who from Citigroup came to you?</p> <p>13 A I don't remember specifically who it was.</p> <p>14 Q Was the approach in the form of a document or was</p> <p>15 it in the form of an oral communication or in some other</p> <p>16 form?</p> <p>17 A Again, I don't remember.</p> <p>18 Q You don't remember the form of the approach to</p> <p>19 Credit Suisse?</p> <p>20 A I don't remember the form of the approach.</p> <p>21 Q Who at Credit Suisse was approached by Citigroup</p> <p>22 for Class V IV?</p> <p>23 A I don't remember if it was -- I was one of the</p> <p>24 people I assume that was approached, meaning, you know, that</p> <p>25 I remember -- I just remember hearing about it. I don't know</p>

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

In the Matter of:

File No. HO-10740

CITIGROUP, INC.

WITNESS: SAMIR BHATT

PAGES: 165-351

PLACE: Securities and Exchange Commission
3 World Financial Center
New York, New York 10281

DATE: December 6, 2010

The above-entitled matter came on for hearing
at 9:55 a.m.

<p style="text-align: right;">Page 186</p> <p>1 credits, having a lot of knowledge or going through a lot</p> <p>2 of the detailed analysis and having knowledge about all</p> <p>3 the underlying assets, and collateral, and a lot of the</p> <p>4 attributes of the different transactions, appreciation for</p> <p>5 the markets, how the two kind of came together.</p> <p>6 I thought that was an important part of the</p> <p>7 whole process, just knowing exactly, the friction of the</p> <p>8 market, the bid/offer, just knowing how the different</p> <p>9 processes worked, in terms of say I was busy doing</p> <p>10 something on the telephone: Can you please do this, and</p> <p>11 instruct them to do this. Or put an order in this book</p> <p>12 for this particular piece of CDO, or this particular</p> <p>13 transaction, and specify with these limitations, things</p> <p>14 like that.</p> <p>15 So people got a sense for exactly how the</p> <p>16 whole process worked. There wasn't -- it wasn't sort of</p> <p>17 like it just went into -- someone makes a decision and it</p> <p>18 goes into a vacuum.</p> <p>19 I used to work as an analyst for a while</p> <p>20 myself, I felt that was important for me, when I went</p> <p>21 through that. So I felt it would be sort of the thing</p> <p>22 for other people to go through as well.</p> <p>23 Q. Was there an investment committee at CSAC?</p> <p>24 A. There were investment committees as it</p> <p>25 pertained to different types of assets, there are</p>	<p style="text-align: right;">Page 188</p> <p>1 particular time, you know, every -- there was a time where</p> <p>2 -- every week or something like that.</p> <p>3 There was a time where we did do it with some</p> <p>4 amount of -- we would do that. But given people's</p> <p>5 schedules, we felt it would be helpful to pull people</p> <p>6 together when we needed to discuss things. It became a</p> <p>7 little bit more ad hoc over time.</p> <p>8 Q. When was it that you were doing it regularly?</p> <p>9 A. I think maybe very, very early stages of when</p> <p>10 the team got bigger with different members of the group.</p> <p>11 I guess maybe like very early on, July, August, something</p> <p>12 like that of '06.</p> <p>13 Q. So it became more ad hoc.</p> <p>14 When I asked you if you were allowed to make</p> <p>15 investment decisions without consulting anyone, you</p> <p>16 discussed working with analysts to make sure they had some</p> <p>17 visibility on the process.</p> <p>18 I guess my question is: Were you able to</p> <p>19 make decisions to invest without talking to any of the</p> <p>20 people on the investment committee?</p> <p>21 A. I suppose -- I don't really -- I don't know</p> <p>22 if I had -- I mean, I had the ability -- yes, I did have</p> <p>23 the ability to invest.</p> <p>24 As a matter of process, I typically would</p> <p>25 talk about things with other people, go through the</p>
<p style="text-align: right;">Page 187</p> <p>1 different investment committees.</p> <p>2 Q. Again, we're talking about CDOs, particularly</p> <p>3 ABS CDOs, was there an investment committee for that?</p> <p>4 A. Well, CDOs fell broadly under the ABS -- it</p> <p>5 was called ABS structured finance. I believe the</p> <p>6 investment committee for that was myself, Shackelford,</p> <p>7 Marshak, Popp, Thomas Flannery, F-L-A-N-N-E-R-Y.</p> <p>8 Q. Is that everyone?</p> <p>9 A. From what I recall.</p> <p>10 Q. How frequently did the investment committee</p> <p>11 meet?</p> <p>12 A. I don't remember.</p> <p>13 Q. Generally, can you give us a sense?</p> <p>14 A. Generally, I would say -- I don't think -- we</p> <p>15 had a morning meeting every morning, around the beginning</p> <p>16 of the day, where we would discuss transactions, or pretty</p> <p>17 much everyone attended the meeting where we would discuss</p> <p>18 transactions across the group. ABS, high yield, the</p> <p>19 different asset classes the group was involved in.</p> <p>20 Sometimes we would have discussions, not</p> <p>21 exactly at that time but after that meeting. At times</p> <p>22 there would be whenever we were looking at a number of</p> <p>23 things.</p> <p>24 I think a lot of it were ad hoc, not</p> <p>25 necessarily a formal meeting on a particular day,</p>	<p style="text-align: right;">Page 189</p> <p>1 details of whatever we were doing, run through the ideas</p> <p>2 and run through why we're doing something and what type</p> <p>3 of -- the market, what spreads, whatever detailed</p> <p>4 information we were doing.</p> <p>5 It would be with people with the analyst</p> <p>6 team, people on the investment committee, kind of keep</p> <p>7 them apprised of everything that we were involved with,</p> <p>8 everything that we were -- maybe not all the very details</p> <p>9 of every single transaction, but certainly at a level</p> <p>10 where they knew everything that we were involved with in</p> <p>11 terms of different transactions and so on.</p> <p>12 Q. Would that be before or after you made a</p> <p>13 decision to invest in something?</p> <p>14 A. Typically it would be around the time of the</p> <p>15 investment decision. Sometimes before.</p> <p>16 Usually we would discuss something, and then</p> <p>17 if it was something that was pricing, a week later, two</p> <p>18 weeks later or something like that, we would follow up</p> <p>19 with it after the particular transaction priced, we got</p> <p>20 our allocation, talk to people about what ended up</p> <p>21 happening of the particular discussion we had.</p> <p>22 It would depend on the particular situation.</p> <p>23 Q. For various transactions that CSAC</p> <p>24 participated in as a manager, you helped put together a</p> <p>25 flip book, right, a pitch book for those transactions; is</p>

<p style="text-align: right;">Page 190</p> <p>1 that correct?</p> <p>2 A. Well, we would typically send certain</p> <p>3 sections of it to the underwriter, the underwriter</p> <p>4 typically, I guess, controlled that process.</p> <p>5 Q. And did you write down a manager's section of</p> <p>6 the flip book?</p> <p>7 A. Those are typically where people would ask us</p> <p>8 to submit, the manager's section, yes, of the flip book.</p> <p>9 Q. Is it your recollection that the flip book</p> <p>10 discussed the investment committee process as part of the</p> <p>11 manager section, part of describing how you select</p> <p>12 portfolios?</p> <p>13 A. I don't recall.</p> <p>14 Q. Did you ever have a discussion about whether</p> <p>15 the description of the investment committee process in</p> <p>16 your flip books was accurate?</p> <p>17 A. I don't remember.</p> <p>18 Q. Was every investment reviewed by the</p> <p>19 investment committee?</p> <p>20 A. I can't say.</p> <p>21 Q. Did you make investments that weren't</p> <p>22 reviewed by the investment committee?</p> <p>23 MR. WASHER: Are you talking about individual</p> <p>24 assets that go in the CDO's portfolio or the overall?</p> <p>25 MR. FELLER: Individual assets that go into a</p>	<p style="text-align: right;">Page 192</p> <p>1 point or the other, early on, over the course of the</p> <p>2 analysis, during the time of -- as it got closer to</p> <p>3 pricing, at some point we typically had some discussion</p> <p>4 around probably most of the assets.</p> <p>5 BY MR. SILVERSTEIN:</p> <p>6 Q. You earlier mentioned the manager's section</p> <p>7 that CSAC would send underwriters for inclusion in the</p> <p>8 flip book.</p> <p>9 Do you recall that?</p> <p>10 A. Yes.</p> <p>11 Q. What role, if any, did you play in the</p> <p>12 management of that manager's section?</p> <p>13 A. I don't recall what exactly -- I don't recall</p> <p>14 the exact details. I know I put together maybe a couple</p> <p>15 of slides or reviewed what was sent. Typically, the</p> <p>16 person that would review it would be someone involved in</p> <p>17 terms of the CDO transaction, our lawyer for a group,</p> <p>18 someone named Todd Kornfeld, K-O-R-N-F-E-L-D.</p> <p>19 He would look through the book, or -- either</p> <p>20 the initial version or iterations of it, if he got</p> <p>21 feedback or comments back on things, he would go through</p> <p>22 different iterations of things, if he had questions, he</p> <p>23 would run them by myself or other people in the group.</p> <p>24 Typically, from whatever -- I don't remember</p> <p>25 exactly when there was, if it was very early on when I</p>
<p style="text-align: right;">Page 191</p> <p>1 CDO portfolio.</p> <p>2 A. I would assume that they were reviewed by the</p> <p>3 investment committee.</p> <p>4 Q. Did you take every asset that you invested in</p> <p>5 for a CDO portfolio to the investment committee?</p> <p>6 A. I'm sorry, I don't understand.</p> <p>7 Q. For every asset that you had bought for a CDO</p> <p>8 that you were managing at CSAC, did you have that</p> <p>9 investment reviewed by the investment committee?</p> <p>10 A. I would say as a matter of process, we had</p> <p>11 discussions around all the assets at some point.</p> <p>12 It would pretty much -- we would have a trade</p> <p>13 log or a transaction log around all the securities that</p> <p>14 are part of any particular portfolio which we would</p> <p>15 distribute out, someone would distribute out, typically,</p> <p>16 every day.</p> <p>17 So everyone should have been aware of</p> <p>18 everything that was going on with every single portfolio.</p> <p>19 Q. Was there a discussion of the investment</p> <p>20 committee of each investment?</p> <p>21 A. I can't say if we had a discussion of every</p> <p>22 single security or if we had the same exact discussion of</p> <p>23 every single security.</p> <p>24 As a general matter, general practice, we</p> <p>25 would have discussions about the different assets, at some</p>	<p style="text-align: right;">Page 193</p> <p>1 joined the group or at the time I would maybe typically</p> <p>2 put some things together, maybe send it to other people,</p> <p>3 see what they think about it.</p> <p>4 Q. You would put some things together and send</p> <p>5 them to other people to review?</p> <p>6 A. I remember doing something like that, putting</p> <p>7 something together. This is the slide, does it capture</p> <p>8 what we're trying to say, does it look good, pass it on to</p> <p>9 people, see if it looked okay.</p> <p>10 Q. Was there a manager's section template that</p> <p>11 you used for each transaction for which CSAC was going to</p> <p>12 be a collateral manager?</p> <p>13 A. I don't recall if there was a specific</p> <p>14 template.</p> <p>15 There's a couple of things that we always had</p> <p>16 in there, like a brief history of Credit Suisse, or CSAC,</p> <p>17 an organizational chart. A couple of other -- I think</p> <p>18 there's not a bio page, maybe it's part of the</p> <p>19 organizational chart, talking about people's backgrounds.</p> <p>20 And it particularly talked about there is a</p> <p>21 list of transactions that ourselves, the collateral</p> <p>22 manager managed, prior transactions.</p> <p>23 And I think that was typical to all of them.</p> <p>24 There are many pages that varied depending on what type of</p> <p>25 CDO it was, what asset class it was in.</p>

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1 Q. What role, if any, did you play in drafting
2 those pages?

3 MR. WASHER: Generally?

4 Q. Why don't you say for Class V Funding III,
5 what role, if any, did you play in preparing the manager's
6 section for the flip book?

7 A. I don't remember the specifics.

8 I remember maybe -- I remember having to look
9 at it to review it. I remember there were some questions
10 around it, so I remember looking at some questions around
11 it.

12 I don't know if they were necessarily
13 pertinent to the manager's section, but I remember looking
14 at some questions that were around the flip book.

15 Q. In terms of the manager's section of the flip
16 book, what role, if any, did you play in drafting those
17 pages of the flip book?

18 A. I don't remember. I don't remember. I
19 don't remember specific things, nothing specific comes to
20 mind in terms of that.

21 Q. Before the flip book was finalized, did you
22 review the manager's section to determine whether it was
23 accurate?

24 A. I don't remember.

25 Q. You don't remember whether you reviewed it?

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1 A. I remember reviewing it at points in time.
2 I don't remember if I looked at the final version.

3 As a general matter, I don't think -- I
4 wasn't the person who would give the signoff or something
5 like that on whether that was the final. I think
6 usually, typically, I would defer to the lawyer in the
7 group to kind of look at it and make sure all the risk
8 factors and everything else was kind of how it should
9 read, I guess.

10 Q. Regardless of whether you gave the signoff,
11 before the flip book was finalized, did you review the
12 manager's section to determine whether it was accurate?

13 A. Again, I don't remember. I don't remember
14 if I looked through it in great amount of detail or
15 anything like that.

16 Q. Did you look at it at all to determine
17 whether it was accurate, whether you looked at it in
18 detail or otherwise?

19 A. I don't remember.

20 BY MR. FELLER:

21 Q. Obviously don't get into any privileged
22 matters here, there are several people here who will jump
23 up in the air if you do, was the lawyer, Mr. Kornfeld who
24 you said worked on these manager's sections, was he
25 involved at all with the collateral selection process?

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1 A. Not that I remember, no.

2 Q. Would he be familiar with the process that
3 you went through to select assets?

4 A. I can't say. I would assume that he is.

5 But I can't say for sure.

6 Q. Why would you assume that he was?

7 A. He generally asked us questions about stuff
8 we were working on or doing. He was fairly knowledgeable
9 about, or had an interest, in whatever we were doing, so I
10 tended to have discussions with him about specifics of
11 things.

12 MR. WASHER: Let's try to not divulge too
13 much in the way of actual communications between you and
14 Mr. Kornfeld. It's okay to describe Mr. Kornfeld's role
15 generally, but try not to relate specifics of
16 conversations you had with him. That part is privileged.

17 MR. FELLER: I am going to hand you what is
18 being marked as Exhibit 510-A. It's a spreadsheet.
19 There's actually Bates numbers associated with it, but
20 that is in a box that is lost somewhere between here and
21 D.C., for which I apologize. It is a Credit Suisse Bates
22 number.

23 MR. WASHER: So we can accept your
24 representation that is something Credit Suisse produced.

25 MR. FELLER: Yes. It is. It is a

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1 printout. The reason it has no Bates number on it is
2 it's a printout of a native file, an Excel spreadsheet
3 that was produced by your counsel as being from what was
4 referred to as the due diligence files at CSAC.

5 (Exhibit 510-A, Spreadsheet, marked for
6 identification, as of this date.)

7 MR. FELLER: Exhibit 510-A, for the record,
8 is about a 9-page spreadsheet, one of the pages is
9 double-sided.

10 MR. MASELLA: Do you want him to review it?

11 MR. FELLER: Yes, this is for the record so
12 it's clear what we're talking about.

13 It's a printout of a native file of an Excel
14 spreadsheet, the top of the first page of this box says:
15 Transaction overview Octan CDO I (Dorado TLR ADO CDO)

16 Q. Do you recognize the document?

17 A. I'm still reviewing it.

18 Q. Do you recognize the document?

19 A. It looks like a credit writeup or
20 information, client information for a particular CDO.

21 Q. Is the form of the document the template that
22 you sent out to get completed by an underwriter?

23 A. The document looks actually to me more like
24 something that we would put together from the information
25 that we would get from underwriters.

EXHIBIT 2

Gene Deetz

New York, NY

March 26, 2012

Page 1

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK
3 11 Civ. 07388 (JSR)

4 - - - - -

5 SECURITIES AND EXCHANGE COMMISSION,
6 Plaintiff,

7 vs.

8 BRIAN H. STOKER,
9 Defendant.

10 - - - - -

11
12 VIDEOTAPED DEPOSITION TRANSCRIPT of GENE
13 DEETZ in the above-entitled matter, as taken by and
14 before LORRAINE B. ABATE, a Certified Shorthand
15 Reporter and Notary Public of the State of New York
16 and Registered Professional Reporter, held at the
17 offices of The Securities and Exchange Commission,
18 Three World Financial Center, New York, New York, on
19 March 26, 2012, commencing at 10:48 a.m., pursuant to
20 Notice.

21
22
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24
25

Gene Deetz

March 26, 2012

New York, NY

<p style="text-align: right;">Page 158</p> <p>1 Deetz - March 26, 2012</p> <p>2 Citigroup set had a significantly higher default</p> <p>3 correlation then assets in other sets, would you</p> <p>4 conclude that there was adverse selection in</p> <p>5 Citi-sourced sets?</p> <p>6 A. I'm sorry, would you read it back to me</p> <p>7 again.</p> <p>8 Q. Certainly. All else being equal, if</p> <p>9 assets in the Citi set had significantly higher</p> <p>10 default correlations than assets in other sets, would</p> <p>11 you conclude that there was adverse selection in</p> <p>12 Citi-sourced assets?</p> <p>13 A. I wouldn't come -- I wouldn't come to</p> <p>14 that conclusion, and especially when you look at the</p> <p>15 data that I have, and it's very difficult to have</p> <p>16 the -- other than just a -- it's very difficult to</p> <p>17 have an all else being equal in respect to these</p> <p>18 securities. But what's equal here are the</p> <p>19 Citi-sourced assets and the non-Citi-sourced assets,</p> <p>20 and you can tell that both by looking at the WARF,</p> <p>21 the spread and the subordination.</p> <p>22 Q. So if it's difficult to having all else</p> <p>23 being equal, in your footnote 86, when you say all</p> <p>24 else being equal, the higher subordination equals</p> <p>25 lower risk, was the all else not equal in those</p>	<p style="text-align: right;">Page 160</p> <p>1 Deetz - March 26, 2012</p> <p>2 where I have obtained that data, and that I have seen</p> <p>3 market participants, a broad range of market</p> <p>4 participants, actually having used that data.</p> <p>5 Q. And what data are you referring to</p> <p>6 specifically?</p> <p>7 A. Well, I described it more fully in the</p> <p>8 paragraphs that follow. But it would be the deal</p> <p>9 documents. It would be the list of portfolio assets,</p> <p>10 it could be -- it could include analytical tools from</p> <p>11 Bloomberg, analytical tools from Intex, information</p> <p>12 in the trustee's reports, information in the services</p> <p>13 reports. All that information is available.</p> <p>14 Q. Who has access to trustee reports?</p> <p>15 A. Who would have access to a trustee</p> <p>16 report would be the underwriter, the asset manager,</p> <p>17 and through the asset manager or the underwriter,</p> <p>18 investors in a transaction. And other market</p> <p>19 participants, and wouldn't be limited to that, but</p> <p>20 other market participants, and anyone who subscribes</p> <p>21 to Intex would get the data in the trustee report and</p> <p>22 the Intex database. It just wouldn't be the trustee</p> <p>23 report.</p> <p>24 Q. Now, did the investors in the Class V</p> <p>25 III have access to Intex?</p>
<p style="text-align: right;">Page 159</p> <p>1 Deetz - March 26, 2012</p> <p>2 either?</p> <p>3 MR. TAYLOR: Objection.</p> <p>4 A. Well, in my testimony, I was very clear</p> <p>5 to state that in the chart on subordination, it was</p> <p>6 the actual assets that were being averaged, and then</p> <p>7 I just provided a brief footnote to describe to the</p> <p>8 reader the concept.</p> <p>9 Q. Okay. And just to be clear, you did not</p> <p>10 do a default correlation for your report here today?</p> <p>11 A. Not explicitly, no.</p> <p>12 Q. Did you implicitly do one?</p> <p>13 A. I did not -- I did not perform -- I did</p> <p>14 not perform any default correlation analysis.</p> <p>15 Q. Did your support staff provide a default</p> <p>16 correlation?</p> <p>17 A. No.</p> <p>18 Q. Now, in paragraph 8.2.1 on page 33 of</p> <p>19 your report, it says that information to analyze the</p> <p>20 underlying CDOs of the Class V Funding III as well as</p> <p>21 the underlying residential mortgage-backed securities</p> <p>22 of these CDOs was readily available to market</p> <p>23 participants.</p> <p>24 What is your basis for this?</p> <p>25 A. I have worked on several engagements</p>	<p style="text-align: right;">Page 161</p> <p>1 Deetz - March 26, 2012</p> <p>2 A. Have access to?</p> <p>3 Q. Yes.</p> <p>4 A. Certainly.</p> <p>5 Q. And did they have -- well, what do you</p> <p>6 mean by they did, they certainly did. They have</p> <p>7 Intex?</p> <p>8 A. No. They have access to it.</p> <p>9 Q. And what do you mean by access?</p> <p>10 A. They could call up Intex Solutions and</p> <p>11 get a license and have access to all the data.</p> <p>12 Q. And do you know if they did have</p> <p>13 access -- I mean, specific access, not just that they</p> <p>14 have the ability to access it, but did they have the</p> <p>15 access?</p> <p>16 A. I don't have -- I believe that in</p> <p>17 Ambac's Credit write up, Ambac referenced that it did</p> <p>18 use Intex Solutions. I know that CSAC itself used</p> <p>19 Intex Solutions. I don't know if -- Mr. Chou</p> <p>20 testified -- although he testified he was very</p> <p>21 familiar with the assets of the Class V Funding III,</p> <p>22 I don't believe he testified to what analytical tools</p> <p>23 he used. And I don't have literal specific knowledge</p> <p>24 that companies like Bear, Stearns Asset Management</p> <p>25 and the others would use Intex, but it would -- it is</p>

41 (Pages 158 to 161)

Gene Deetz

March 26, 2012

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<p>1 Deetz - March 26, 2012</p> <p>2 a street-wide accepted utilized tool. I have yet to</p> <p>3 have an investment bank or an asset manager of any</p> <p>4 substance whatsoever not use Intex, but that said, I</p> <p>5 don't know literally whether they have used it or</p> <p>6 not.</p> <p>7 Q. In paragraph 8.2.3, you state that the</p> <p>8 dealer community regularly provides asset managers</p> <p>9 and institutional investors market color such as any</p> <p>10 trading activity and information on other CDO deals</p> <p>11 in the market.</p> <p>12 What is your basis for stating this?</p> <p>13 A. Well, it would be my own personal</p> <p>14 experience where I have seen that. I have seen that</p> <p>15 happen and have that data available with other</p> <p>16 engagements that I've conducted. And also, the</p> <p>17 testimony of Mr. Carosielli.</p> <p>18 Q. Is that other expert engagements you</p> <p>19 have seen that in?</p> <p>20 A. Yes.</p> <p>21 Q. And why did the dealer community</p> <p>22 regularly provide asset managers and institutional</p> <p>23 investors with market color?</p> <p>24 A. Well, they do it because of a</p> <p>25 relationship. In my experience, they do it because</p>	<p>1 Deetz - March 26, 2012</p> <p>2 other investors. But again, certainly my experience</p> <p>3 would be that they could have and they would have,</p> <p>4 it's just that I don't physically have the</p> <p>5 information to demonstrate that.</p> <p>6 Q. So you don't know --</p> <p>7 A. I don't know.</p> <p>8 Q. -- what the other investors did?</p> <p>9 A. I don't literally know.</p> <p>10 Q. Now, wasn't Citigroup the second largest</p> <p>11 market-maker in CDOs in late '06 and early '07?</p> <p>12 A. They were certainly very large. I don't</p> <p>13 know -- I don't have a recollection of if they were</p> <p>14 first, second or what, but they were certainly very,</p> <p>15 very large.</p> <p>16 Q. You can't -- so if they were first or</p> <p>17 second, is it your opinion that they would not have</p> <p>18 had a unique view on the direction of the market?</p> <p>19 A. Well, I am -- when I write Citigroup</p> <p>20 here, it's the New York folks in the global</p> <p>21 structured products. And Mr. Quintin testified I</p> <p>22 think quite clearly that he did not have a unique</p> <p>23 view of the market and that it was volatile and he</p> <p>24 was paying attention to the technicals, but didn't</p> <p>25 necessarily have a unique view of the market.</p>
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<p>1 Deetz - March 26, 2012</p> <p>2 of a relationship or because they want to transact.</p> <p>3 Q. You state in paragraph 8.3.1 that in my</p> <p>4 review and analysis of documents and testimony in</p> <p>5 this matter, I have found no indication that</p> <p>6 Citigroup performed any analysis similar to those</p> <p>7 described above, nor did Citigroup have a unique view</p> <p>8 in the direction of the market.</p> <p>9 What, if any, analysis are you aware of</p> <p>10 that Citigroup did perform on the assets?</p> <p>11 A. I'm not aware of any specific analysis.</p> <p>12 I'm aware of the testimony -- I haven't seen any</p> <p>13 specific analysis. I'm aware of the testimony that</p> <p>14 said we, you know, we're a trading desk and we pay</p> <p>15 attention to the technicals which means the price and</p> <p>16 the price movements in the market, and I haven't seen</p> <p>17 any underlying credit analysis that they did.</p> <p>18 Q. All right. Did you see any documents or</p> <p>19 testimony that suggested the investors performed the</p> <p>20 analysis you have conducted?</p> <p>21 A. Well, certainly from Ambac, and also, I</p> <p>22 would think from Harding, from Mr. Chou's testimony.</p> <p>23 I haven't -- I don't know that there are -- documents</p> <p>24 are available yet for the other investors because I</p> <p>25 haven't -- I haven't seen any documents from the</p>	<p>1 Deetz - March 26, 2012</p> <p>2 Q. In paragraph 8.4.1, you state my</p> <p>3 analysis shows there's no indication at the time</p> <p>4 Citigroup sourced Class V Funding III assets, that</p> <p>5 any of the assets sourced by Citigroup would have</p> <p>6 performed worse than any others in the Class V</p> <p>7 Funding III portfolio or other assets on any of the</p> <p>8 lists outlined above.</p> <p>9 And you state in paragraph 8.4.2 I have</p> <p>10 found nothing to support the SEC's allegations that</p> <p>11 Citigroup selected specific assets for the Class V</p> <p>12 Funding III portfolio that Citigroup believed would</p> <p>13 perform poorly.</p> <p>14 Is this your assessment of the evidence</p> <p>15 you reviewed?</p> <p>16 A. It's the assessment of my analytical</p> <p>17 work, substantial analytical work underneath some of</p> <p>18 the charts that we've been reviewing as well as the</p> <p>19 documents and the testimony, so it would embody all</p> <p>20 of the work that I've done.</p> <p>21 Q. All right. Which assets did Citi take a</p> <p>22 naked short on?</p> <p>23 MR. TAYLOR: Objection.</p> <p>24 A. I don't understand the question.</p> <p>25 Q. Do you know what a naked short is?</p>

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Gene Deetz

March 26, 2012

New York, NY

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<p>1 Deetz - March 26, 2012</p> <p>2 A. I believe a naked short would generally</p> <p>3 be described as a short position that has no long</p> <p>4 position to offset it.</p> <p>5 Q. And did Citi take a naked short in any</p> <p>6 of the assets in the Class V III?</p> <p>7 A. I don't understand the question.</p> <p>8 Q. What position did Citi take with respect</p> <p>9 to the Citi-sourced assets?</p> <p>10 A. Well, as the initial swap counterparty,</p> <p>11 they would have had the short side of the trade.</p> <p>12 Q. And were they the initial swap</p> <p>13 counterparty only with respect to the Citi-sourced</p> <p>14 assets?</p> <p>15 A. I believe they were the initial swap</p> <p>16 counterparty for all the assets in Class V Funding</p> <p>17 III.</p> <p>18 Q. So what was different about Citi-sourced</p> <p>19 assets in the position they took as opposed to the</p> <p>20 other assets in the Class V III?</p> <p>21 A. I don't understand the question.</p> <p>22 Q. Is it your opinion or do you believe the</p> <p>23 position Citi held with respect to the Citi-sourced</p> <p>24 assets was the same as with respect to all the other</p> <p>25 assets?</p>	<p>1 Deetz - March 26, 2012</p> <p>2 Q. Okay. And was there any distinction</p> <p>3 whatsoever with respect to the Citi-sourced assets</p> <p>4 and the position Citi held in those assets?</p> <p>5 MR. TAYLOR: Objection to form.</p> <p>6 A. I'm sorry, the position they held was</p> <p>7 they were on the short side as the initial swap</p> <p>8 counterparty for the CDO. That would be the same --</p> <p>9 Q. Okay.</p> <p>10 A. -- across all of the assets.</p> <p>11 Q. So is it your position that Citi was</p> <p>12 only the initial swap counterparty with respect to</p> <p>13 the Citi-swapped assets?</p> <p>14 MR. TAYLOR: Objection to form.</p> <p>15 A. No, that wasn't my testimony.</p> <p>16 Q. All right. So what position did Citi</p> <p>17 have with respect to the Citi-sourced assets if they</p> <p>18 were not simply the initial swap counterparty?</p> <p>19 A. Citi would have been the financial</p> <p>20 intermediary for certain of those assets and would</p> <p>21 have been -- had a trading book for others of those</p> <p>22 assets.</p> <p>23 Q. And what do you mean when you say they</p> <p>24 would have had a trading book with respect to the</p> <p>25 others?</p>
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<p>1 Deetz - March 26, 2012</p> <p>2 A. My opinions in this case are that CSAC</p> <p>3 selected the assets without influence from Citigroup,</p> <p>4 that Citigroup selected assets, that Citi-sourced</p> <p>5 assets from CSAC's approved list were not different,</p> <p>6 were not different in character, and that the</p> <p>7 investors were experienced and had the ability to do</p> <p>8 the due diligence.</p> <p>9 Q. And I'm talking about the position with</p> <p>10 respect to the assets that Citi held in the Class V</p> <p>11 III.</p> <p>12 Did Citi hold a different position with</p> <p>13 respect to the assets in the Citi-sourced assets</p> <p>14 versus the rest of the assets in the Class V III?</p> <p>15 Did they hold in their warehouse?</p> <p>16 MR. TAYLOR: Objection to form.</p> <p>17 A. Could you ask me again, please.</p> <p>18 Q. Certainly. Did Citi hold a different</p> <p>19 position as to the assets in the Citi-sourced group</p> <p>20 compared to the rest of the assets in the Class V</p> <p>21 III?</p> <p>22 A. They were the initial swap counterparty</p> <p>23 for all of them.</p> <p>24 Q. Okay.</p> <p>25 A. So in that sense, it would be the same.</p>	<p>1 Deetz - March 26, 2012</p> <p>2 A. Well, they would have had -- they would</p> <p>3 have been short certain assets in their trading book</p> <p>4 and would have traded those assets.</p> <p>5 Q. And they were short with respect to the</p> <p>6 Citi-sourced assets; isn't that right, in their</p> <p>7 trading book?</p> <p>8 A. I don't know. I don't know what --</p> <p>9 whether they were or not, and in what particular</p> <p>10 point in time, so it would require more information</p> <p>11 than I have. It wasn't one of the opinions I gave.</p> <p>12 Q. So you have no idea what Citi's position</p> <p>13 was with respect to the Citi-sourced assets as you</p> <p>14 sit here today?</p> <p>15 A. No. I have a general idea, but I don't</p> <p>16 have a specific idea.</p> <p>17 Q. And what is your general idea?</p> <p>18 A. Citi had assets that it held in its</p> <p>19 trading book that it traded.</p> <p>20 Q. At the closing of the Class V III, what</p> <p>21 was Citi's position with respect to the Citi-sourced</p> <p>22 assets?</p> <p>23 A. I don't specifically remember each and</p> <p>24 every position with the Citi-sourced assets. I don't</p> <p>25 know if they had -- what the trading activity had</p>

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